

**COUNTY OF DELTA, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

September 30, 2006

**NOTE K – RETIREMENT PLANS (continued)**

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2005 were determined using the entry age normal actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2003	115,175	100%	-
2004	131,069	100%	-
2005	164,271	100%	-

The District Health Department made contributions of \$184,925 and members under benefit C-2 made contributions of \$19,393 for the year ended September 30, 2006.

Aggregate Accrued Liabilities - Comparative Schedule

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2003	\$ 4,370,846	\$ 3,745,772	\$ (625,074)	117%	\$ -	0%
2004	4,755,593	4,030,006	(725,587)	118%	-	0%
2005	5,218,034	4,302,212	(915,822)	121%	-	0%

The Actuarial assumptions for MERS valuations were revised for the 1993, 1997, 2000 and 2004 valuations. The funding method was changed to entry age normal for the 1993 valuation.

**County Road Commission (component unit)**

Road Commission Retirement Plan - The Delta County Road Commission is in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post retirement adjustments to plan members and their beneficiaries.

**COUNTY OF DELTA, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2006**

**NOTE K - RETIREMENT PLANS (continued)**

Actuarial Accrued Liability - All entries are based on the actuarial methods and assumptions that were used in the December 31, 2005 actuarial valuation to determine the annual employer contribution amounts. The entry age normal actuarial method was used to determine the entries at disclosure.

Funding Policy – The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which do not require employees to contribute to the plan. The Road Commission is required to contribute at an actuarially determined rate; the rate was 16.99% for teamsters, 56.56% for administrative staff, 10.47% for the managing director and 0% for supervisory (which started in 2004) for the calendar year ending December 31, 2005.

Contributions Required and Contributions Made - MERS funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the fiscal year ended December 31, 2004 were determined using an attained age actuarial funding method. Unfunded actuarial accrued liabilities, if any, were amortized as a level percent of payroll over a period of 30 years. The following table provides a schedule of contribution amounts and percentages for recent years.

Annual Pension Cost Year Ended December 31,	Annual Pension Cost (APC)	Percentage of APC Contribution	Net Pension Obligation
2003	\$ 279,871	100%	-
2004	312,118	100%	-
2005	306,330	100%	-

Aggregate Accrued Liabilities - Comparative Schedule

Actuarial Valuation Date December 31,	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a % of Covered Payroll
2003	\$ 2,601,444	\$ 5,806,310	\$ 3,204,866	45%	\$ 1,546,860	207%
2004	2,962,602	7,057,321	4,094,719	41%	1,752,568	233%
2005	3,314,073	7,085,690	3,771,617	47%	1,517,923	248%

For actuarial valuation purposes, the actuarial value of assets is determined on the basis of a calculation method that assumes the fund earns the expected rate of return (8%), and includes an adjustment to reflect market value.

Actuarial assumptions for MERS valuations were revised for the 1993, 1997, 2000 and 2004 valuations. The funding method was changed to entry age normal for the 1993 valuation.

**COUNTY OF DELTA, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2006**

**NOTE L - AIRPORT HANGAR**

A hangar was constructed at the Delta County Airport and is being jointly financed by Delta County, the cities of Escanaba and Gladstone, and the Escanaba Foundation. The hangar financing is in the form of a lease, with the County assuming ownership of the facility upon completion of the terms of the lease. The lease arrangements for the hangar specify a month-to-month lease with lease payments commencing the second year of the lease in the sum of \$1,761.99 per month plus \$.10 per square foot per annum rental for the land. The County receives the rental payments from the lessee and divides the proceeds with 44 percent to the County and 28 percent to each of the cities.

**NOTE M - FUND EQUITY DESIGNATIONS**

- A. Fund equity has been designated in the General Fund for future payments to the retirement system in the amount of \$91,446.
- B. Fund equity has been designated in the County Road Patrol Fund for accrued sick and vacation time in the amount of \$184,983.
- C. Fund equity has been designated in the Donations Fund for donations made to the Sheriff's Department for \$96,441.

- D. Fund equity has been designated in the Capital Outlay Fund as follows:

Emergency equipment	\$ 62,013
Sheriff grant vehicle	9,000
Courthouse computer	213,687
Probate court recorder	3,600
BOC recorder maintenance	1,902
Telephone maintenance	74,162
Capital projects	24,080
Prosecutor computer system	8,985
Sheriff computer grant	258
Capital outlay	108,442
Equipment repair	108,107
Jail construction project	30,686
Renaissance zone	17,947
Airport terminal project	(14,200)
Michigan Works building	(3,793)
Training	10,000
Total	<u>\$ 654,876</u>

- E. Fund equity has been designated in the Service Center Construction Fund in the amount of \$25,071 for excess bond proceeds from the Building Authority Courthouse Renovation Project.

**COUNTY OF DELTA, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2006**

**NOTE N - CONTINGENT LIABILITIES**

The County participates in a number of Federal and State assisted grant programs, principal of which are the Friend of Court and Prosecuting Attorney Cooperative Reimbursement programs, which are subject to financial and compliance audits. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit by the grantor agencies. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the County expects such amounts if any, to be immaterial.

**NOTE O - RISK MANAGEMENT**

The County of Delta participates as a member in the Michigan Municipal Risk Management Authority. The Authority is a municipal self-insurance entity operating pursuant to the State of Michigan Public Act 138 of 1982. The purpose of the Authority is to administer a risk management fund, which provides members with loss protection for general and auto liability, motor vehicle physical damage, and property.

The Authority has entered into reinsurance agreements providing for loss coverage in excess of the amounts to be retained by the Authority and individual members. An individual member's maximum retention on general liability and auto liability is \$75,000. The limits on auto physical damage are \$15,000 per unit and \$30,000 per occurrence. The retention limits for property coverage are subject to a \$1,000 deductible with 10 percent of the first \$100,000 to be paid by the member. Some members have individual retention levels different than the ones previously stated.

In the event a reinsurance company does not meet its obligation to the Authority, responsibility for payment of any unreimbursed claims will be that of the Authority Reinsurance Fund.

The Authority has retained certain levels of risk rather than obtaining coverage through reinsurance agreements. The Authority established the Authority Reinsurance Fund in order to participate in the reinsurance agreements. Individual members are provided the same level of coverage previously afforded through a combination of the reinsurance agreements and the Reinsurance Fund.

In addition, the Authority purchases insurance for certain risks not covered by the reinsurance agreements.

At September 30, 2006, the County had no outstanding claims which exceeded the plan's limits and there has been no significant reduction in insurance coverage over the past three years.

**NOTE P - TRANSIT AUTHORITY**

The Delta Area Transit Authority was established during the Fall of 1989. Funding was secured through the Michigan Department of Transportation to operate the Authority. The County is the pass-through governmental agency for the monies flowing from the State of Michigan to the Authority.

**COUNTY OF DELTA, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2006**

**NOTE Q - JOINT VENTURE - DELTA SOLID WASTE LANDFILL**

The Delta Solid Waste Management Authority was incorporated in 1984, pursuant to Act 233, Public Acts of Michigan, 1955, by the County of Delta and the local units of government within the County. It was established in order to provide for a new landfill since the current countywide site, owned by the City of Gladstone, was approaching saturation.

The Authority is governed by a seven-person Board of Directors, composed of three representatives of the participating townships, three representatives of the participating cities and one member of the Delta County Board of Commissioners. The three members of the Authority Board from the villages and townships will be selected by and from a body composed of one representative from each such township or village; the three board members from the cities shall be selected by and from a body composed of two representatives from each such city; and a member of the Delta County Board of Commissioners shall be chosen by said Board of Commissioners after review of recommendations by the Townships, Villages and City representatives. The Authority as described herein has no taxing power.

The landfill is constructed on land owned by the City of Escanaba and leased, through the County, to the Authority. Landfill construction costs were financed through the issuance of \$1,490,000 of revenue bonds by the County of Delta. The bonds were due in varying annual amounts through June 1, 1991. The County of Delta made its first annual payment of \$210,000 on May 1, 1985 with payments required through May 1, 1989. These payments were recorded as expenditures in the General Fund. The County does not capitalize its interest in the landfill as the County has no legal title to any assets of the landfill.

The following local governmental units are participants in the Authority; shown with their respective percentage shares in the Authority.

Local Governmental Unit	Percentage Share
Delta County	51.80%
City of Escanaba	18.60%
City of Gladstone	5.90%
Local Townships	23.70%
	<u>100.00%</u>

Operation and maintenance costs are paid out of tipping fees assessed against users of the landfill. Parties that use the landfill include the municipal sanitation systems of the cities of Escanaba and Gladstone, and private solid waste companies serving the other local units. The landfill began operation in December 1985. Financial information of the Delta Solid Waste Management Authority and Recycling Program is available at their administrative offices located at 5701 19th Avenue North, Escanaba, MI 49829.

**COUNTY OF DELTA, MICHIGAN**  
**NOTES TO FINANCIAL STATEMENTS**

**September 30, 2006**

**NOTE Q - JOINT VENTURE - DELTA SOLID WASTE LANDFILL (continued)**

During the year ended September 30, 1999, the Delta Solid Waste Management Authority issued bonds in the amount of \$4,275,000 for the purpose of acquiring and constructing certain improvements at the existing landfill. The County is secondarily liable for the bonds and has pledged its limited tax full faith and credit for the payment of its contractual payments, and the County is obligated to pay such amounts from its general funds, including collections of ad valorem taxes on all taxable property within its boundaries, subject to applicable statutory and constitutional tax rate limitations. The estimated total current cost of the landfill closure and postclosure care is \$3,427,500 and is based on the amount that would be paid if all equipment, facilities and services required to close, monitor and maintain the landfill were acquired as of December 31, 2005. The County has signed an open letter of credit for the landfill postclosure costs.

**NOTE R – RESTRICTED NET ASSETS**

Total net assets which is restricted by enabling legislation amounted to \$2,262,895 for governmental activities and \$19,706 for business-type activities.

**NOTE S – RESTATEMENT OF NET ASSETS**

Net assets for the Road Commission were restated in the amount of \$261,704. The restatement was due to a calculation error by the Michigan County Road Commission Self-Insurance Pool which provided excess refunds in prior periods which the Road Commission was not entitled to, which resulted in a restatement in the current year of \$175,025. In addition, net assets were also restated in the amount of \$86,677 for accumulated depreciation for the state portion of the chemical facility structures.

**REQUIRED SUPPLEMENTAL INFORMATION**

**COUNTY OF DELTA, MICHIGAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**GENERAL FUND**

For the Year Ended September 30, 2006

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget-
	Original	Final	(See Note A)	Positive (Negative)
<b>REVENUES:</b>				
Taxes	\$ 6,250,000	\$ 6,357,118	\$ 5,257,397	\$ (1,099,721)
License and permits	6,000	6,000	1,430	(4,570)
Federal sources	520,000	591,327	638,448	47,121
State sources	846,850	1,635,778	969,576	(666,202)
Charges for services	1,145,600	1,288,999	1,205,287	(83,712)
Interest and rentals	152,500	297,424	295,923	(1,501)
Other	124,900	142,177	124,935	(17,242)
Total revenues	9,045,850	10,318,823	8,492,996	(1,825,827)
<b>EXPENDITURES:</b>				
Legislative:				
Board of commissioners	161,535	166,110	154,664	11,446
Judicial system:				
Circuit court	341,960	344,960	310,308	34,652
District court	694,521	721,478	714,602	6,876
Friend of court	681,550	691,370	675,258	16,112
Jury commission	10,850	10,850	6,266	4,584
Probate court	369,100	369,300	359,560	9,740
Probate court juvenile	142,800	142,800	131,441	11,359
General government:				
Elections	82,074	86,354	71,652	14,702
Clerk	163,671	173,476	165,688	7,788
Administration	165,500	169,425	148,677	20,748
Equalization	238,750	242,150	234,210	7,940
Prosecuting attorney	510,637	531,712	513,619	18,093
Register of deeds	108,250	110,040	108,353	1,687
Treasurer	209,308	211,638	204,431	7,207
Building maintenance	237,600	260,735	251,356	9,379
Drain commissioner	9,650	9,650	9,105	545
Plat board	240	240	180	60
Record copying	13,100	20,500	20,089	411
Health insurance and other benefits	11,000	46,000	45,000	1,000
Insurance and bonds	197,000	197,000	195,609	1,391
Professional fees	66,500	91,500	70,428	21,072
Equipment repair and equipment	14,500	28,875	23,045	5,830
Labor relations	5,000	15,000	9,407	5,593
Miscellaneous	13,500	32,550	18,498	14,052
Public safety:				
Animal shelter	144,340	152,140	147,103	5,037
Sheriff administration	277,342	282,642	270,535	12,107
Sheriff marine	17,500	44,931	39,684	5,247
Sheriff corrections	1,269,390	1,450,428	1,421,459	28,969
Sheriff inmate work detail	15,461	21,836	20,966	870
Health and welfare:				
Medical examiner	28,500	29,000	27,941	1,059
Soldier burial	7,500	7,500	6,300	1,200
Veterans affair	12,750	13,890	13,750	140
Other	1,900	1,900	457	1,443
Recreation and culture:				
Extension service	146,580	146,981	151,364	(4,383)
Other - appropriations	513,354	1,094,707	636,427	458,280
Total expenditures	6,883,213	7,919,668	7,177,432	742,236
Excess revenues (expenditures)	2,162,637	2,399,155	1,315,564	(1,083,591)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfer in	3,183	3,183	794,234	791,051
Transfer out	(2,365,820)	(2,602,338)	(1,834,467)	767,871
Total other financing sources (uses)	(2,362,637)	(2,599,155)	(1,040,233)	1,558,922
Net changes in fund balances	(200,000)	(200,000)	275,331	475,331
Fund balances - beginning	3,000,306	3,000,306	3,000,306	-
Fund balances - ending	\$ 2,800,306	\$ 2,800,306	\$ 3,275,637	\$ 475,331



**COUNTY OF DELTA, MICHIGAN**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCES - BUDGET AND ACTUAL**  
**REVENUE SHARING RESERVE**  
**For the Year Ended September 30, 2006**

	Budgeted Amounts		Actual Amounts, (Budgetary Basis) (See Note A)	Variance with Final Budget- Positive (Negative)
	Original	Final		
<b>REVENUES:</b>				
Taxes	\$ -	\$ 1,600,000	\$ 1,522,753	\$ (77,247)
Interest and rentals	-	12,000	26,794	14,794
Total revenues	-	1,612,000	1,549,547	(62,453)
<b>EXPENDITURES:</b>				
General government	-	812,000	-	812,000
Excess revenues (expenditures)	-	800,000	1,549,547	812,000
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer out	-	(800,000)	(723,877)	76,123
Net changes in fund balances	-	-	825,670	888,123
Fund balances - beginning	-	682,756	682,756	-
Fund balances - ending	\$ -	\$ 682,756	\$ 1,508,426	\$ 888,123

**COMBINING FUND FINANCIAL STATEMENTS**

**COUNTY OF DELTA, MICHIGAN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
September 30, 2006

	Special Revenue Funds			
	Road Patrol	County Parks	Jail/Out of County Prisoner	Friend of Court
<b>ASSETS</b>				
Cash and equivalents:				
Unrestricted	\$ 453,704	\$ 26,386	\$ 73,457	\$ 201,123
Receivables:				
Accounts	9,780	-	-	-
Due from other funds	15,741	-	-	-
Due from State of Michigan	-	-	-	-
Prepaid expense	-	-	-	-
Total assets	<u>\$ 479,225</u>	<u>\$ 26,386</u>	<u>\$ 73,457</u>	<u>\$ 201,123</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ 3,939	\$ -	\$ -
Due to other funds	-	14,181	-	-
Due to other governmental units	-	-	-	-
Accrued payroll and related liabilities	21,961	1,528	-	-
Total liabilities	<u>21,961</u>	<u>19,648</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved:				
Designated	184,983	-	-	-
Undesignated	272,281	6,738	73,457	201,123
Total fund balances	<u>457,264</u>	<u>6,738</u>	<u>73,457</u>	<u>201,123</u>
Total liabilities and fund balances	<u>\$ 479,225</u>	<u>\$ 26,386</u>	<u>\$ 73,457</u>	<u>\$ 201,123</u>

See accompanying notes to financial statements.

Special Revenue Funds

<u>Circuit Court Counseling</u>	<u>Community Action</u>	<u>Hannahville Funding</u>	<u>Donations</u>	<u>Building and Zoning</u>	<u>Drug Enforcement</u>	<u>County Survey</u>
\$ 78,524	\$ 797	\$ 48,019	\$ 96,441	\$ (106,522)	\$ 6,056	\$ 111,831
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 78,524</u>	<u>\$ 797</u>	<u>\$ 48,019</u>	<u>\$ 96,441</u>	<u>\$ (106,522)</u>	<u>\$ 6,056</u>	<u>\$ 111,831</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	5,001	1,987	-
-	-	-	-	5,001	1,987	-
-	-	-	96,441	-	-	-
78,524	797	48,019	-	(111,523)	4,069	111,831
78,524	797	48,019	96,441	(111,523)	4,069	111,831
<u>\$ 78,524</u>	<u>\$ 797</u>	<u>\$ 48,019</u>	<u>\$ 96,441</u>	<u>\$ (106,522)</u>	<u>\$ 6,056</u>	<u>\$ 111,831</u>

**COUNTY OF DELTA, MICHIGAN**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
September 30, 2006

	Special Revenue Funds			
	R.O.D. Automation	Law Library	CDBG Housing	Training
<b>ASSETS</b>				
Cash and equivalents:				
Unrestricted	\$ 36,359	\$ 10,912	\$ -	\$ 27,789
Receivables:				
Accounts	-	-	-	-
Due from other funds	-	-	-	-
Due from State of Michigan	-	-	-	-
Prepaid expense	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 36,359</u>	<u>\$ 10,912</u>	<u>\$ -</u>	<u>\$ 27,789</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 466	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other governmental units	-	-	-	-
Accrued payroll and related liabilities	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>466</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved:				
Designated	-	-	-	-
Undesignated	35,893	10,912	-	27,789
	<u>35,893</u>	<u>10,912</u>	<u>-</u>	<u>27,789</u>
Total fund balances	<u>35,893</u>	<u>10,912</u>	<u>-</u>	<u>27,789</u>
Total liabilities and fund balances	<u>\$ 36,359</u>	<u>\$ 10,912</u>	<u>\$ -</u>	<u>\$ 27,789</u>

See accompanying notes to financial statements.

Special Revenue Funds

<u>DNA Fund</u>	<u>Soldiers and Sailors</u>	<u>Veterans Trust</u>	<u>Co-Probation</u>	<u>Juvenile Drug Grant</u>	<u>Child Care</u>	<u>Capital Outlay</u>
\$ 1,559	\$ 7,978	\$ 821	\$ (127,845)	\$ (6,904)	\$ 751,619	\$ 654,876
-	-	-	-	-	-	-
-	-	-	71,000	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>\$ 1,559</u>	<u>\$ 7,978</u>	<u>\$ 821</u>	<u>\$ (56,845)</u>	<u>\$ (6,904)</u>	<u>\$ 751,619</u>	<u>\$ 654,876</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	71,000	-
-	-	-	-	-	-	-
-	-	-	4,408	1,462	7,145	-
-	-	-	4,408	1,462	78,145	-
-	-	-	-	-	-	654,876
<u>1,559</u>	<u>7,978</u>	<u>821</u>	<u>(61,253)</u>	<u>(8,366)</u>	<u>673,474</u>	<u>-</u>
<u>1,559</u>	<u>7,978</u>	<u>821</u>	<u>(61,253)</u>	<u>(8,366)</u>	<u>673,474</u>	<u>654,876</u>
<u>\$ 1,559</u>	<u>\$ 7,978</u>	<u>\$ 821</u>	<u>\$ (56,845)</u>	<u>\$ (6,904)</u>	<u>\$ 751,619</u>	<u>\$ 654,876</u>

**COUNTY OF DELTA, MICHIGAN  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
September 30, 2006**

	<u>Special Revenue</u>		<u>Debt Service Funds</u>	
	<u>Summer Tax</u>	<u>Library Penal Fines</u>	<u>Courthouse Renovation</u>	<u>Service Center Debt</u>
<b>ASSETS</b>				
Cash and equivalents:				
Unrestricted	\$ 31,785	\$ 61,959	\$ 17,084	\$ 31,156
Receivables:				
Accounts	-	-	-	-
Due from other funds	-	-	-	-
Due from State of Michigan	-	-	-	-
Prepaid expense	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 31,785</u>	<u>\$ 61,959</u>	<u>\$ 17,084</u>	<u>\$ 31,156</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other governmental units	20,040	-	-	-
Accrued payroll and related liabilities	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	<u>20,040</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Unreserved:				
Designated	-	-	-	-
Undesignated	11,745	61,959	17,084	31,156
	<hr/>	<hr/>	<hr/>	<hr/>
Total fund balances	<u>11,745</u>	<u>61,959</u>	<u>17,084</u>	<u>31,156</u>
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 31,785</u>	<u>\$ 61,959</u>	<u>\$ 17,084</u>	<u>\$ 31,156</u>

See accompanying notes to financial statements.

Debt Service	Capital Project Funds				Total Nonmajor Governmental Funds
Pinecrest Debt	Service Center Construction	PFC Airport Improvement	Airport Improvement	Renaissance Zone	
\$ -	\$ 122,553	\$ 20,561	\$ 29,806	\$ (394,882)	\$ 2,267,002
-	-	-	-	179,020	188,800
-	-	-	-	-	86,741
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ -</u>	<u>\$ 122,553</u>	<u>\$ 20,561</u>	<u>\$ 29,806</u>	<u>\$ (215,862)</u>	<u>\$ 2,542,543</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,405
-	-	-	-	-	85,181
-	-	-	-	-	20,040
-	-	-	-	-	43,492
-	-	-	-	-	153,118
-	25,071	-	-	-	961,371
-	97,482	20,561	29,806	(215,862)	1,428,054
-	122,553	20,561	29,806	(215,862)	2,389,425
<u>\$ -</u>	<u>\$ 122,553</u>	<u>\$ 20,561</u>	<u>\$ 29,806</u>	<u>\$ (215,862)</u>	<u>\$ 2,542,543</u>



**COUNTY OF DELTA, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2006**

	Special Revenue Funds			
	Road Patrol	County Parks	Jail/Out of County Prisoner	Friend of Court
<b>REVENUES:</b>				
Taxes	\$ 836,511	\$ -	\$ -	\$ -
License and permits	-	-	-	-
Federal sources	63,449	-	-	-
State sources	174,289	-	-	7,720
Local sources	131,826	-	-	2,007
Charges for services	-	81,847	-	-
Interest and rentals	-	-	-	-
Other	1,882	8,190	-	-
Total revenues	1,207,957	90,037	-	9,727
<b>EXPENDITURES:</b>				
Judicial system	-	-	-	4,800
General government	-	-	-	-
Public safety	1,072,767	-	-	-
Health and welfare	-	-	-	-
Recreation and culture	-	118,233	-	-
Capital outlay	53,932	24,863	13,643	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	1,126,699	143,096	13,643	4,800
Excess revenues (expenditures)	81,258	(53,059)	(13,643)	4,927
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	-	67,500	120,000	-
Transfer out	(35,000)	-	(70,357)	-
Total other financing sources (uses)	(35,000)	67,500	49,643	-
Net changes in fund balance	46,258	14,441	36,000	4,927
Fund balances - beginning	411,006	(7,703)	37,457	196,196
Fund balances - ending	\$ 457,264	\$ 6,738	\$ 73,457	\$ 201,123

See accompanying notes to financial statements.

Special Revenue Funds

<u>Circuit Court Counseling</u>	<u>Community Action</u>	<u>Hannahville Funding</u>	<u>Donations</u>	<u>Building and Zoning</u>	<u>Drug Enforcement</u>	<u>County Survey</u>
\$ -	\$ 524,656	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	204,805	-	-
-	-	-	-	-	15,491	-
-	-	-	-	-	-	133,340
3,591	-	-	75,859	-	-	16,702
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	5,990	-	-
<u>3,591</u>	<u>524,656</u>	<u>-</u>	<u>75,859</u>	<u>210,795</u>	<u>15,491</u>	<u>150,042</u>
523	-	-	-	-	-	-
-	-	-	-	270,388	-	130,151
-	-	-	32,690	-	67,428	-
-	533,359	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	11,855	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>523</u>	<u>533,359</u>	<u>-</u>	<u>32,690</u>	<u>282,243</u>	<u>67,428</u>	<u>130,151</u>
<u>3,068</u>	<u>(8,703)</u>	<u>-</u>	<u>43,169</u>	<u>(71,448)</u>	<u>(51,937)</u>	<u>19,891</u>
-	-	-	-	-	35,000	-
-	-	-	-	-	-	-
-	-	-	-	-	35,000	-
3,068	(8,703)	-	43,169	(71,448)	(16,937)	19,891
<u>75,456</u>	<u>9,500</u>	<u>48,019</u>	<u>53,272</u>	<u>(40,075)</u>	<u>21,006</u>	<u>91,940</u>
<u>\$ 78,524</u>	<u>\$ 797</u>	<u>\$ 48,019</u>	<u>\$ 96,441</u>	<u>\$ (111,523)</u>	<u>\$ 4,069</u>	<u>\$ 111,831</u>

**COUNTY OF DELTA, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2006**

	Special Revenue Funds			
	R.O.D. Automation	Law Library	CDBG Housing	Training
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-
Federal sources	-	-	160,436	-
State sources	-	-	-	-
Local sources	-	-	-	8,931
Charges for services	46,124	-	-	-
Interest and rentals	-	-	-	-
Other	-	-	-	-
Total revenues	46,124	-	160,436	8,931
<b>EXPENDITURES:</b>				
Judicial system	-	23,701	-	-
General government	47,190	-	-	-
Public safety	-	-	-	10,355
Health and welfare	-	-	160,436	-
Recreation and culture	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Other	-	-	-	-
Total expenditures	47,190	23,701	160,436	10,355
Excess revenues (expenditures)	(1,066)	(23,701)	-	(1,424)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	-	21,000	-	-
Transfer out	-	-	-	-
Total other financing sources (uses)	-	21,000	-	-
Net changes in fund balance	(1,066)	(2,701)	-	(1,424)
Fund balances - beginning	36,959	13,613	-	29,213
Fund balances - ending	\$ 35,893	\$ 10,912	\$ -	\$ 27,789

See accompanying notes to financial statements.

Special Revenue Funds

DNA Fund	Soldiers and Sailors	Veterans Trust	Co-Probation	Juvenile Drug Grant	Child Care	Capital Outlay
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-
-	-	-	76,108	7,934	-	-
-	-	959	-	-	41,855	-
-	-	-	-	-	-	-
-	-	-	-	-	58,166	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	959	76,108	7,934	100,021	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	1,020	153,929	45,971	331,038	-
-	-	-	-	-	-	-
-	-	-	-	-	-	8,594
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	1,020	153,929	45,971	331,038	8,594
-	-	(61)	(77,821)	(38,037)	(231,017)	(8,594)
-	350	-	-	55,000	400,000	-
-	-	-	-	-	(55,000)	-
-	350	-	-	55,000	345,000	-
-	350	(61)	(77,821)	16,963	113,983	(8,594)
1,559	7,628	882	16,568	(25,329)	559,491	663,470
\$ 1,559	\$ 7,978	\$ 821	\$ (61,253)	\$ (8,366)	\$ 673,474	\$ 654,876

**COUNTY OF DELTA, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
**For the year ended September 30, 2006**

	Special Revenue		Debt Service Funds	
	Summer Tax	Library Penal Fines	Courthouse Renovation	Service Center Debt
<b>REVENUES:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
License and permits	-	-	-	-
Federal sources	-	-	-	-
State sources	3,025	-	-	-
Local sources	-	-	-	-
Charges for services	2,765	-	-	-
Interest and rentals	-	-	-	-
Other	-	220,517	-	-
Total revenues	5,790	220,517	-	-
<b>EXPENDITURES:</b>				
Judicial system	-	-	-	-
General government	1,528	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Recreation and culture	-	208,457	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	185,000	135,000
Interest	-	-	163,750	63,165
Other	-	-	-	400
Total expenditures	1,528	208,457	348,750	198,565
Excess revenues (expenditures)	4,262	12,060	(348,750)	(198,565)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfer in	-	-	348,750	198,656
Transfer out	-	(4,500)	-	-
Total other financing sources (uses)	-	(4,500)	348,750	198,656
Net changes in fund balance	4,262	7,560	-	91
Fund balances - beginning	7,483	54,399	17,084	31,065
Fund balances - ending	\$ 11,745	\$ 61,959	\$ 17,084	\$ 31,156

See accompanying notes to financial statements.

Debt Service	Capital Project Funds				Total Nonmajor Governmental Funds
Pinecrest Debt	Service Center Construction	PFC Airport Improvement	Airport Improvement	Renaissance Zone	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,361,167
-	-	-	-	-	204,805
-	-	-	-	179,020	502,438
-	-	-	-	-	361,188
-	-	-	-	-	238,916
-	-	-	-	-	188,902
14	2,968	-	-	-	2,982
-	-	33,594	6,150	-	276,323
14	2,968	33,594	6,150	179,020	3,136,721
-	-	-	-	-	29,024
-	-	-	-	-	449,257
-	-	-	-	-	1,183,240
-	-	-	-	-	1,225,753
-	-	-	-	-	326,690
-	4,000	24,250	8,300	216,816	366,253
-	-	-	-	-	320,000
-	-	-	-	-	226,915
2,074	-	-	-	-	2,474
2,074	4,000	24,250	8,300	216,816	4,129,606
(2,060)	(1,032)	9,344	(2,150)	(37,796)	(992,885)
-	-	-	-	-	1,246,256
-	-	-	-	-	(164,857)
-	-	-	-	-	1,081,399
(2,060)	(1,032)	9,344	(2,150)	(37,796)	88,514
2,060	123,585	11,217	31,956	(178,066)	2,300,911
\$ -	\$ 122,553	\$ 20,561	\$ 29,806	\$ (215,862)	\$ 2,389,425

**COUNTY OF DELTA, MICHIGAN**  
**COMBINING STATEMENT OF NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
September 30, 2006

	<u>P.A. 123 Foreclosure</u>	<u>Jail Commissary</u>	<u>Tax Revolving Administration</u>	<u>Tax Revolving 2000</u>
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents				
Unrestricted	\$ 1,332	\$ 26,503	\$ 35,166	\$ -
Investments	-	-	-	-
Receivables:				
Current taxes	-	-	-	-
Interest	-	-	-	783
Total current assets	<u>1,332</u>	<u>26,503</u>	<u>35,166</u>	<u>783</u>
Noncurrent assets:				
Delinquent taxes	-	-		1,143
Total assets	<u>\$ 1,332</u>	<u>\$ 26,503</u>	<u>\$ 35,166</u>	<u>\$ 1,926</u>
<b>LIABILITIES</b>				
Current liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>NET ASSETS</b>				
Unrestricted	<u>1,332</u>	<u>26,503</u>	<u>35,166</u>	<u>1,926</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 1,332</u></u>	<u><u>\$ 26,503</u></u>	<u><u>\$ 35,166</u></u>	<u><u>\$ 1,926</u></u>

See accompanying notes to financial statements.

<u>Tax Revolving 2001</u>	<u>Tax Revolving 2002</u>	<u>Tax Revolving 2003</u>	<u>Tax Revolving 2004</u>	<u>Tax Revolving 2006</u>	<u>Tax Revolving 2007</u>	<u>Total Nonmajor Proprietary Funds</u>
\$ -	\$ 320,197	\$ 331,102	\$ 124,565	\$ -	\$ -	\$ 838,865
-	-	-	-	-	-	-
-	-	-	103,325	-	-	103,325
3,161	-	-	32,719	-	-	36,663
<u>3,161</u>	<u>320,197</u>	<u>331,102</u>	<u>260,609</u>	<u>-</u>	<u>-</u>	<u>978,853</u>
<u>9,224</u>	<u>2,833</u>	<u>3,147</u>	<u>11,480</u>	<u>18</u>	<u>4</u>	<u>27,849</u>
<u>\$ 12,385</u>	<u>\$ 323,030</u>	<u>\$ 334,249</u>	<u>\$ 272,089</u>	<u>\$ 18</u>	<u>\$ 4</u>	<u>\$ 1,006,702</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>12,385</u>	<u>323,030</u>	<u>334,249</u>	<u>272,089</u>	<u>18</u>	<u>4</u>	<u>1,006,702</u>
<u>\$ 12,385</u>	<u>\$ 323,030</u>	<u>\$ 334,249</u>	<u>\$ 272,089</u>	<u>\$ 18</u>	<u>\$ 4</u>	<u>\$ 1,006,702</u>



**COUNTY OF DELTA, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**NONMAJOR PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2006**

	<u>P.A. 123 Foreclosure</u>	<u>Jail Commissary</u>	<u>Tax Revolving Administration</u>	<u>Tax Revolving 2000</u>
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 1,332	\$ 18,901	\$ -	\$ -
Rental and interest income	-	-	-	-
Miscellaneous	-	-	-	-
Total operating revenue	<u>1,332</u>	<u>18,901</u>	<u>-</u>	<u>-</u>
<b>OPERATING EXPENSES:</b>				
Supplies	-	7,495	5,863	-
Contracted services	-	-	-	-
Recording fees	-	-	-	-
Total operating expenses	<u>-</u>	<u>7,495</u>	<u>5,863</u>	<u>-</u>
Operating income (loss)	<u>1,332</u>	<u>11,406</u>	<u>(5,863)</u>	<u>-</u>
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Transfer in	-	-	10,416	-
Transfer out	-	-	-	-
Total nonoperating revenues (expenses)	<u>-</u>	<u>-</u>	<u>10,416</u>	<u>-</u>
Change in net assets	1,332	11,406	4,553	-
Total net assets - beginning	<u>-</u>	<u>15,097</u>	<u>30,613</u>	<u>1,926</u>
Total net assets - ending	<u>\$ 1,332</u>	<u>\$ 26,503</u>	<u>\$ 35,166</u>	<u>\$ 1,926</u>

See accompanying notes to financial statements.

<u>Tax Revolving 2001</u>	<u>Tax Revolving 2002</u>	<u>Tax Revolving 2003</u>	<u>Tax Revolving 2004</u>	<u>Tax Revolving 2006</u>	<u>Tax Revolving 2007</u>	<u>Total Nonmajor Proprietary Funds</u>
\$ -	\$ -	\$ 31,661	\$ 60,235	\$ -	\$ -	\$ 112,129
1,589	4,328	14,522	67,469	-	-	87,908
-	-	2,160	1,647	-	-	3,807
<u>1,589</u>	<u>4,328</u>	<u>48,343</u>	<u>129,351</u>	<u>-</u>	<u>-</u>	<u>203,844</u>
-	20	1,538	3,204	-	-	18,120
-	-	11,280	11,373	-	-	22,653
-	-	1,414	2,910	-	-	4,324
<u>-</u>	<u>20</u>	<u>14,232</u>	<u>17,487</u>	<u>-</u>	<u>-</u>	<u>45,097</u>
<u>1,589</u>	<u>4,308</u>	<u>34,111</u>	<u>111,864</u>	<u>-</u>	<u>-</u>	<u>158,747</u>
-	-	-	-	-	-	10,416
<u>(258,094)</u>	<u>(2,922)</u>	<u>(154,807)</u>	<u>(1,677,637)</u>	<u>-</u>	<u>-</u>	<u>(2,093,460)</u>
<u>(258,094)</u>	<u>(2,922)</u>	<u>(154,807)</u>	<u>(1,677,637)</u>	<u>-</u>	<u>-</u>	<u>(2,083,044)</u>
(256,505)	1,386	(120,696)	(1,565,773)	-	-	(1,924,297)
<u>268,890</u>	<u>321,644</u>	<u>454,945</u>	<u>1,837,862</u>	<u>18</u>	<u>4</u>	<u>2,930,999</u>
<u>\$ 12,385</u>	<u>\$ 323,030</u>	<u>\$ 334,249</u>	<u>\$ 272,089</u>	<u>\$ 18</u>	<u>\$ 4</u>	<u>\$ 1,006,702</u>

**COUNTY OF DELTA, MICHIGAN**  
**COMBINING STATEMENT OF CASH FLOWS**  
**NONMAJOR PROPRIETARY FUNDS**  
**For the Year Ended September 30, 2006**

	<u>P.A. 123</u> <u>Foreclosure</u>	<u>Jail</u> <u>Commissary</u>	<u>Tax Revolving</u> <u>Administration</u>	<u>Tax Revolving</u> <u>2000</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from customers	\$ 1,332	\$ 18,901	\$ -	\$ -
Receipts from interest and rents	-	-	-	-
Cash received for collection of taxes	-	-	-	-
Payments to suppliers	-	(7,495)	(5,863)	-
Net cash provided (used) by operating activities	<u>1,332</u>	<u>11,406</u>	<u>(5,863)</u>	<u>-</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer in	-	-	10,416	-
Transfer out	-	-	-	-
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>-</u>	<u>10,416</u>	<u>-</u>
Net increase (decrease) in cash and equivalents	<u>1,332</u>	<u>11,406</u>	<u>4,553</u>	<u>-</u>
Cash and equivalents, beginning of year	<u>-</u>	<u>15,097</u>	<u>30,613</u>	<u>-</u>
Cash and equivalents, end of year	<u>\$ 1,332</u>	<u>\$ 26,503</u>	<u>\$ 35,166</u>	<u>\$ -</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	<u>\$ 1,332</u>	<u>\$ 11,406</u>	<u>\$ (5,863)</u>	<u>\$ -</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Changes in assets and liabilities:				
(Increase) decrease in receivables	-	-	-	-
Increase (decrease) in accounts payable	-	-	-	-
Total adjustments	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash provided by operating activities	<u>\$ 1,332</u>	<u>\$ 11,406</u>	<u>\$ (5,863)</u>	<u>\$ -</u>

See accompanying notes to financial statements.

Tax Revolving 2001	Tax Revolving 2002	Tax Revolving 2003	Tax Revolving 2004	Tax Revolving 2006	Tax Revolving 2007	Total Nonmajor Proprietary Funds
\$ -	\$ -	\$ 31,661	\$ 60,235	\$ -	\$ -	\$ 112,129
1,158	4,328	66,835	91,708	-	-	164,029
-	3,068	172,828	675,351	-	-	851,247
-	(20)	(14,232)	(17,487)	-	-	(45,097)
1,158	7,376	257,092	809,807	-	-	1,082,308
-	-	-	-	-	-	10,416
(258,094)	(2,922)	(154,807)	(1,677,637)	-	-	(2,093,460)
(258,094)	(2,922)	(154,807)	(1,677,637)	-	-	(2,083,044)
(256,936)	4,454	102,285	(867,830)	-	-	(1,000,736)
256,936	315,743	228,817	992,395	-	-	1,839,601
\$ -	\$ 320,197	\$ 331,102	\$ 124,565	\$ -	\$ -	\$ 838,865
\$ 1,589	\$ 4,308	\$ 34,111	\$ 111,864	\$ -	\$ -	\$ 158,747
(431)	3,068	222,981	697,943	-	-	923,561
-	-	-	-	-	-	-
(431)	3,068	222,981	697,943	-	-	923,561
\$ 1,158	\$ 7,376	\$ 257,092	\$ 809,807	\$ -	\$ -	\$ 1,082,308

**COUNTY OF DELTA, MICHIGAN**  
**COMBINING STATEMENT OF NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
September 30, 2006

	Termination/ Sick Leave	Residual Equity Transfer	Service Center	Total Internal Service Funds
<b>ASSETS</b>				
Current assets:				
Cash and cash equivalents				
Unrestricted	\$ 175,981	\$ 2,998,004	\$ 550,527	\$ 3,724,512
Investments	-	2,249,686	-	2,249,686
Receivables:				
Accounts	-	-	15,625	15,625
Notes receivable	-	227,782	-	227,782
Due from other funds	-	542,113	-	542,113
Total assets	<u>\$ 175,981</u>	<u>\$ 6,017,585</u>	<u>\$ 566,152</u>	<u>\$ 6,759,718</u>
<b>LIABILITIES</b>				
Current liabilities:				
Accounts payable	\$ -	\$ -	\$ 4,846	\$ 4,846
Accrued payroll	-	-	8,512	8,512
Due to other funds	31,078	-	-	31,078
Total liabilities	<u>31,078</u>	<u>-</u>	<u>13,358</u>	<u>44,436</u>
<b>NET ASSETS</b>				
Unrestricted	<u>144,903</u>	<u>6,017,585</u>	<u>552,794</u>	<u>6,715,282</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 175,981</u></u>	<u><u>\$ 6,017,585</u></u>	<u><u>\$ 566,152</u></u>	<u><u>\$ 6,759,718</u></u>

See accompanying notes to financial statements.

**COUNTY OF DELTA, MICHIGAN**  
**COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended September 30, 2006**

	Termination/ Sick Leave	Residual Equity Transfer	Service Center	Total Internal Service Funds
<b>OPERATING REVENUES:</b>				
Rental and interest income	\$ -	\$ 19,844	\$ 656,758	\$ 676,602
Miscellaneous	-	816	5,098	5,914
Total operating revenue	-	20,660	661,856	682,516
<b>OPERATING EXPENSES:</b>				
Salaries and fringes	5,300	-	413,210	418,510
Supplies	-	180	44,172	44,352
Contracted services	-	-	9,800	9,800
Repairs and maintenance	-	-	35,587	35,587
Utilities	-	-	67,910	67,910
Total operating expenses	5,300	180	570,679	576,159
Operating income (loss)	(5,300)	20,480	91,177	106,357
<b>NONOPERATING REVENUES (EXPENSES):</b>				
Interest income	-	195,142	-	195,142
Income (loss) before transfers and contributions	(5,300)	215,622	91,177	301,499
Transfer in	20,300	2,083,044	-	2,103,344
Transfer out	-	(1,495,000)	(198,656)	(1,693,656)
Change in net assets	15,000	803,666	(107,479)	711,187
Total net assets - beginning	129,903	5,213,919	660,273	6,004,095
Total net assets - ending	\$ 144,903	\$ 6,017,585	\$ 552,794	\$ 6,715,282

See accompanying notes to financial statements.

**COUNTY OF DELTA, MICHIGAN**  
**COMBINING STATEMENT OF CASH FLOWS**  
**INTERNAL SERVICE FUNDS**  
**For the Year Ended September 30, 2006**

	Termination/ Sick Leave	Residual Equity Transfer	Service Center	Total Internal Service Funds
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Receipts from interest and rents	\$ -	\$ 188,340	\$ 646,231	\$ 834,571
Payments to suppliers	-	(180)	(152,623)	(152,803)
Payments for wages and related benefits	(5,300)	-	(414,111)	(419,411)
Net cash provided (used) by operating activities	(5,300)	188,160	79,497	262,357
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>				
Transfer in	20,300	2,083,044	-	2,103,344
Transfer out	-	(1,495,000)	(198,656)	(1,693,656)
Net cash provided (used) by noncapital financing activities	20,300	588,044	(198,656)	409,688
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Interest earnings	-	195,142	-	195,142
Net increase (decrease) in cash and equivalents	15,000	971,346	(119,159)	867,187
Cash and equivalents, beginning of year	160,981	4,276,344	669,686	5,107,011
Cash and equivalents, end of year	<u>\$ 175,981</u>	<u>\$ 5,247,690</u>	<u>\$ 550,527</u>	<u>\$ 5,974,198</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>				
Operating income (loss)	\$ (5,300)	\$ 20,480	\$ 91,177	\$ 106,357
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:				
Changes in assets and liabilities:				
(Increase) decrease in receivables	-	97,324	(15,625)	81,699
(Increase) decrease in due from other funds	-	70,356	-	70,356
Increase (decrease) in accounts payable	-	-	4,846	4,846
Increase (decrease) in accrued payroll	-	-	(901)	(901)
Total adjustments	-	167,680	(11,680)	156,000
Net cash provided by operating activities	<u>\$ (5,300)</u>	<u>\$ 188,160</u>	<u>\$ 79,497</u>	<u>\$ 262,357</u>

See accompanying notes to financial statements.

**COUNTY OF DELTA, MICHIGAN**  
**COMBINING STATEMENT OF FIDUCIARY NET ASSETS**  
**AGENCY FUNDS**  
**September 30, 2006**

	General Trust and Agency	Crime Victim Restitution	Friend of Court Trust	District Court Trust
<b>ASSETS</b>				
Cash and cash equivalents:				
Unrestricted	\$ 3,423,155	\$ 3,572	\$ 1,254	\$ 74,798
Due from other funds	<u>14,446</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u><u>3,437,601</u></u>	<u><u>3,572</u></u>	<u><u>1,254</u></u>	<u><u>74,798</u></u>
<b>LIABILITIES</b>				
Due to other funds	14,994	265	-	-
Due to other units governmental units	102,279	-	-	-
Undistributed taxes	2,562,531	-	-	-
Other liabilities	<u>757,797</u>	<u>3,307</u>	<u>1,254</u>	<u>74,798</u>
Total liabilities	<u><u>\$ 3,437,601</u></u>	<u><u>\$ 3,572</u></u>	<u><u>\$ 1,254</u></u>	<u><u>\$ 74,798</u></u>

See accompanying notes to financial statements.



Sheriff		Totals	
Inmate Trust			
\$	5,606	\$	3,508,385
	-		14,446
	<u>5,606</u>		<u>3,522,831</u>
	-		15,259
	-		102,279
	-		2,562,531
	<u>5,606</u>		<u>842,762</u>
\$	<u>5,606</u>	\$	<u>3,522,831</u>

## **SINGLE AUDIT**



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
Raymond B. LaMarche, CPA, Principal  
Erkki M. Peippo, CPA, PC, Principal

Kevin C. Pascoe, CPA  
Lindsay J. Behrend, CPA

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED  
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Members of the Board of Commissioners  
County of Delta  
Escanaba, Michigan 49829

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Delta, Michigan, as of and for the year ended September 30, 2006, which collectively comprise the County of Delta, Michigan's basic financial statements and have issued our report thereon dated March 16, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting – In planning and performing our audit, we considered the County of Delta, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Members of the Board of Commissioners  
County of Delta

Compliance and Other Matters – As part of obtaining reasonable assurance about whether the County of Delta, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County of Delta, Michigan, in a separate letter dated March 16, 2007.

This report is intended solely for the information of management, others within the organization, County Board of Commissioners and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Anderson, Tackman & Company, PLC  
Certified Public Accountants

March 16, 2007



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
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Kevin C. Pascoe, CPA  
Lindsay J. Behrend, CPA

**REPORT ON COMPLIANCE WITH REQUIREMENTS**  
**APPLICABLE TO EACH MAJOR PROGRAM**  
**AND ON INTERNAL CONTROL OVER COMPLIANCE**  
**IN ACCORDANCE WITH OMB CIRCULAR A-133**

Members of the Board of Commissioners  
County of Delta  
Escanaba, Michigan 49829

Compliance

We have audited the compliance of the County of Delta, Michigan with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal program for the year ended September 30, 2006. County of Delta, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Delta, Michigan's management. Our responsibility is to express an opinion on County of Delta, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Delta, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Delta, Michigan's compliance with those requirements.

In our opinion, the County of Delta, Michigan, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Members of the Board of Commissioners  
County of Delta

Internal Control Over Compliance

The management of the County of Delta, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Delta, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the County Board of Commissioners, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.C.*

Anderson, Tackman & Company, PLC  
Certified Public Accountants

March 16, 2007

**COUNTY OF DELTA, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended September 30, 2006

<u>Federal grantor/pass-through/program title</u>	<u>Federal CFDA Number</u>	<u>Agency or pass-through number</u>	<u>Federal Expenditures</u>
U.S. Department of Justice:			
Direct Funding:			
Bulletproof Vest Partnership Program	16.607	-	\$ 802
Passed through the Michigan State Police:			
Enforcing Underage Drinking Laws Program	16.727	AL-06-18	4,789
Passed through the State of Michigan Department of Community Health:			
Byrne Memorial Formula Grant	16.579	70768-7-04-B	15,491
Passed through State of Michigan Family Independence Agency:			
Juvenile Accountability Incentive Grant	16.523	JABGN 06-21001	10,331
Total U.S. Department of Justice			<u>31,413</u>
U.S. Department of Health and Human Services:			
Passed through State of Michigan Family Independence Agency:			
Child Support Enforcement	93.563	CS/COM-06-21003	452,820
Friend of Court - Federal Incentives	93.563	-	74,228
TANF	93.558	DEL-06-21001	55,052
Promoting Safe and Stable Families	93.556	DEL-06-21001	28,873
Passed through the State of Michigan Department of Community Health:			
Childhood Immunization Grants	93.268	20060132	252,164
Maternal and Child Health Service Grant	93.994	20060132	80,593
Medical Assistance Program	93.778	20060132	13,283
Center for Disease Control Prevention			
Investigative Technical Assistance	93.283	20060132	315,143
Family Planning Services	93.217	20060132	94,162
Passed through Pathways:			
Substance Abuse Prevention & Treatment	93.959	-	<u>147,775</u>
Total U.S. Department of Health and Human Services			<u>\$ 1,514,093</u>

See accompanying notes to the schedule of expenditures of federal awards.

**COUNTY OF DELTA, MICHIGAN**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
For the year ended September 30, 2006

<u>Federal grantor/pass-through/program title</u>	<u>Federal CFDA Number</u>	<u>Agency or pass-through number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development: Passed through Michigan State Housing Development Authority: Community Development Block Grant	14.228	MSC-2004-735-HOA	\$ 160,436
U.S. Department of Education: Passed through Michigan Department of Community Health: Drug-Free Schools and Local Prog	84.168B	-	32,662
U.S. Department of Agriculture: Direct Funding: Community Facilities Loan & Grant Program	10.766	-	29,400
Passed through Michigan Department of Community Health: Special Supplemental Food Program for Women, Infants and Children	10.557	20060132	221,695
Total U.S. Department of Agriculture			251,095
U.S. Department of Transportation: Passed through Michigan State Police: State and Community Highway Safety	20.605	-	12,452
U.S. Department of Homeland Security: Passed through Michigan State Police: Emergency Management Performance 2005 Homeland Security Grant Hazardous Mitigation Grant Homeland Security Grant	97.042 97.067 97.039 97.004	- - - -	12,701 17,129 7,837 73,283
Passed through Michigan DNR: Boating Safety Financial Assistance	97.012	-	16,006
Total U.S. Department of Homeland Security			126,956
U.S. Department of Commerce (direct funding): Public Works and Economic Development	11.300	06-01-04800	179,020
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 2,308,127

See accompanying notes to the schedule of expenditures of federal awards.



**COUNTY OF DELTA, MICHIGAN**  
**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended September 30, 2006**

**NOTE A – OVERSIGHT AGENCY**

The U.S. Department of Commerce is the current year's oversight agency for single audit as determined by the agency providing the largest share of direct federal financial assistance.

**NOTE B – BASIS OF ACCOUNTING**

The accompanying schedule of expenditures of federal awards has been prepared on the modified accrual basis of accounting.

**NOTE C – PASS-THROUGH GRANT MONIES**

During 2006, the County acted as a pass-through agent, receiving \$160,436 in CDBG monies which was passed through to the Community Action Agency. The Community Action Agency was audited by other auditors.

**NOTE D – PASS-THROUGH GRANTOR'S OR PROGRAM NUMBERS**

The pass-through grantor's number represents the County's provider I.D. number. Such other I.D. numbers were not available or provided by the State administering agencies.

**NOTE E – FEDERAL REVENUE RECONCILIATION**

Federal revenue per governmental fund financial statements	\$ 1,140,436
Federal expenditures per schedule of expenditures of federal award	<u>2,308,127</u>
Difference	(1,167,691)
Reconciling items:	
Federal revenues reported in the component units which are included on the schedule of expenditures of federal awards:	
District Health Department	1,157,474
Expenditures reported on the schedule of expenditures of federal in the current year which were not recorded as revenue in the current year.	<u>10,217</u>
Reconciled difference	<u><u>\$ -</u></u>

**COUNTY OF DELTA, MICHIGAN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended September 30, 2006**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the basic financial statements of the County of Delta, Michigan.
2. There were no reportable conditions disclosed during the audit of the basic financial statements to be reported in the *Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.
3. There were no instances of noncompliance material to the basic financial statements of the County of Delta, Michigan disclosed during the audit.
4. There were no reportable conditions disclosed during the audit of the major federal programs to be reported in the *Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133*.
5. The auditor's report on compliance for the major federal programs for the County of Delta, Michigan expresses an unqualified opinion.
6. There were no findings noted relative to the major federal programs for the County of Delta.
7. The programs tested as major programs included:
  - Immunization CFDA #93.268
  - Special Supplemental Food Program for WIC CFDA #10.557
  - Substance Abuse Prevention & Treatment CFDA #93.959
8. The threshold for distinguishing Type A & B programs was \$300,000.
9. The County of Delta, Michigan was determined to be a low-risk auditee.

**COUNTY OF DELTA, MICHIGAN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended September 30, 2006**

**B. FINDINGS – FINANCIAL STATEMENT AUDIT**

2006-1: Budget Noncompliance

*Statement of Condition/Criteria:* Public Act 621 of 1978 requires that expenditures cannot be incurred until appropriated in accordance with the Uniform Budgeting and Accounting Act. During the fiscal year ended September 30, 2006, the County incurred expenditures in excess of amounts appropriated as follows:

	<u>Total</u> <u>Appropriation</u>	<u>Expenditures</u>	<u>Budget</u> <u>Variance</u>
Law Library	\$ 22,800	\$ 23,702	\$ (902)
CDBG Fund	-	160,436	(160,436)
Summer Tax	-	1,528	(1,528)

During the year ended September 30, 2006, expenditures were incurred in excess of the amounts appropriated in the amended budgets for certain activities or functions within the General Fund, however total expenditures did not exceed total appropriations.

*Effect:* The County has not complied with various State statutes.

*Cause of Condition:* Budget amendments were not made prior to the expenditure of funds.

*Recommendation:* Budget amendments should be made prior to the expenditure of funds.

*Status:* Management will review budgets monthly and make amendments as deemed necessary.

**COUNTY OF DELTA, MICHIGAN**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended September 30, 2006**

**C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

None

**COUNTY OF DELTA, MICHIGAN**  
**STATUS OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended September 30, 2006**

**A. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS  
AUDIT**

2005 – 1: Public Works and Economic Development CFDA# 11.300

*Statement of Condition/Criteria:* Cash management requirements for this program require all disbursements of grant funds be done on a reimbursement basis. There were two instances noted where the County had requested and received reimbursement from the grant prior to actually making the related payments to the contractor.

*Recommendation:* All invoices that are being requested for reimbursement should be paid prior to the request.

*Status:* No such findings were noted for fiscal year 2006.

**COUNTY OF DELTA, MICHIGAN**

**REPORT TO MANAGEMENT**

**Year Ended September 30, 2006**



**ANDERSON, TACKMAN & COMPANY, PLC**

CERTIFIED PUBLIC ACCOUNTANTS

OFFICES IN MICHIGAN AND WISCONSIN

Kristine P. Berhow, CPA, Principal  
Alan M. Stotz, CPA, Principal  
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Kevin C. Pascoe, CPA  
Lindsay J. Behrend, CPA

## REPORT TO MANAGEMENT

Members of the Board of Commissioners  
County of Delta, Michigan

We have audited the financial statements of the County of Delta, Michigan for the year ended September 30, 2006, and have issued our reports thereon dated March 16, 2007. Professional standards require that we provide you with the following information related to our audit.

### Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated December 14, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

In planning and performing our audit, we considered County of Delta, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the County of Delta, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the County of Delta, Michigan's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the County of Delta, Michigan's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the County of Delta, Michigan's compliance with those requirements.

### Significant Accounting Policies

Management has the responsibility for selection of appropriate accounting policies. In accordance with the terms of our engagement, we will advise management of the appropriateness of the accounting policies and their application. The significant accounting policies used by the County of Delta, Michigan are described in Note A of the financial statements.

We noted no transactions entered into by the County of Delta, Michigan during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### Management Judgments and Accounting Estimates

Some accounting estimates are utilized in financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. Our conclusions regarding the reasonableness of the estimates are based on reviewing and testing the historical data provided by management and using this data to compute the estimates. The most sensitive estimates affecting the financial statements were the useful lives of property and equipment for the purpose of calculating depreciation.

### Significant Audit Adjustments

For purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. Our audit adjustments, individually and in the aggregate, were material and were primarily made to properly accrue revenues and expenditures.

### Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether significant or not resolved to our satisfaction concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.



Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about accounting and auditing matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the financial statements of the County of Delta, Michigan or a determination of the type of auditor's opinion to be expressed on those statements, our professional standards require the consulting accountant to advise us as to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the County of Delta's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in the performance of our audit.

In planning and performing our audit of the financial statements of the County of Delta, Michigan, for the year ended September 30, 2006, we considered the County of Delta, Michigan's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding those matters. This letter does not affect our report dated March 16, 2007, on the financial statements of the County of Delta, Michigan.

We have already discussed many of these comments and suggestions with various County personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This information is intended solely for the use of members of the County Board, management of Delta County and federal and state agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Anderson, Tackman & Company P.C.*

Anderson, Tackman & Company, PLC  
Certified Public Accountants

March 16, 2007

COUNTY OF DELTA, MICHIGAN

COMMENTS AND RECOMMENDATIONS

September 30, 2006

REPEAT COMMENTS AND RECOMMENDATIONS

Sheriff Inmate Trust

**Comment:**

We noted that the inmate trust bank account could not be reconciled with the inmate payable accounts.

**Recommendation:**

Each month a reconciliation should be performed between the bank statement balance and the amount due to the inmates.

**Management Response:**

The County Treasurer has taken over reconciling the sheriff inmate trust bank account with the inmate payable accounts but has been unable to get the reconciliation to work out.

Year-End Accruals

**Comment:**

Accruals for revenues and expenditures are not being recorded at year-end.

**Recommendation:**

In order to accurately reflect the fiscal year activity, County personnel should make the appropriate accruals at the end of the fiscal year.

**Management Response:**

Year end accruals are handled annually in the past through the adjusting journal entries. This system has worked fine for years.

**COMMENTS AND RECOMMENDATIONS**

**September 30, 2006**

**General Trust and Agency**

**Comment:**

By definition, an agency fund is used to report resources held by the reporting government in a purely custodial capacity. In prior years, the appropriations that were unexpended in certain fund line items of the General Fund were transferred to the General Trust and Agency. Consequently, a portion of the General Trust and Agency's cash balance consists of money that is not due to other agencies.

We also noted that certain grant monies the County receives in its name and passes through to other government agencies is recorded in the General Trust and Agency.

**Recommendation:**

We recommend cash that belongs to the County, which is recorded in the General Trust and Agency be transferred to the appropriate fund of the County. Also, grant monies received in the County's name should be reported in the General Fund, in order to properly report the revenue and expenditure of funds received. We also recommend that the County reconcile all the account balances in the General Trust and Agency to ensure that all balances are properly accounted for.

**Management Response:**

General Trust and Agency is a fund within the general ledger and all activity in and out is recorded in it. We will attempt to set up Trust and Agency to report activity as recommended.

**Recording of Delinquent Personal Property Tax**

**Comment:**

We noted that delinquent personal property taxes are not recorded in the general ledger for the funds applicable to the General Fund, the Road Patrol Fund, or for the Senior Citizens Fund.

**Recommendation:**

The value of the County's portion of delinquent personal property taxes should be recorded in the County's general ledger in effort to track the balance of the personal property tax funds due to the County from local taxing units.

**Management Response:**

Administration will discuss this issue with the County Treasurer.

COMMENTS AND RECOMMENDATIONS

September 30, 2006

Outstanding Checks

**Comment:**

During our testing of cash, we noted several checks listed as reconciling items have been outstanding for over one year and some for several years.

**Recommendation:**

The County should consider escheating checks that have been outstanding for over a year to the State.

**Management Response:**

Administration will review this issue with the appropriate County personnel.

Separate Checkbooks Maintained by Treasurers Office

**Comment:**

It came to our attention the County Treasurer maintains separate checkbooks for the delinquent tax revolving funds which are not subject to any second party approval or review.

**Recommendation:**

In order to strengthen the internal controls over County funds, we recommend that these individual bank accounts be closed and that disbursements out of the delinquent tax revolving funds go through the same approval process as any other County payments.

**Management Response:**

All checks and expenses should follow the County Board approved internal controls of having Board approval.

## COUNTY OF DELTA, MICHIGAN

### COMMENTS AND RECOMMENDATIONS

September 30, 2006

#### Unlawful Expenditures

##### **Comment:**

It was noted that the County had applied and received 2% grant monies from tribal organizations and passed these funds to non-profit organizations. The Indian Tribes are required by the gaming compact to distribute 2% of the net win derived from all class III electronic games of chance to any local units of state government in the immediate vicinity of each tribal casino. Because the County is applying for these grants on-behalf of non-profit organizations, as some of these non-profits are not eligible as local units of state government, these funds are revenues and expenditures to the County. The Michigan Department of Treasury has specifically issued guidance stating that contributions to churches, veterans, non-profit organizations and community organizations are prohibited expenditures.

We also noted that these funds were recorded in the General Trust and Agency, which does not properly reflect the revenue and expenditure of these 2% grants received by the County.

##### **Recommendation:**

We recommend that all future 2% grant applications submitted to tribal organizations be made for activities which are lawful as defined by the Michigan Department of Treasury and that when 2% grant monies are received they should be recorded in the General Fund or a special revenue fund of the County to properly reflect the revenue and expenditure of the grant funds.

##### **Management Response:**

Administration will formulate a policy for County Board approval for 2% grant requests, to ensure they comply as lawful expenditures as defined by the Department of Treasury.

**COUNTY OF DELTA, MICHIGAN**

**COMMENTS AND RECOMMENDATIONS**

**September 30, 2006**

**CURRENT YEAR COMMENTS AND RECOMMENDATIONS**

**Budget and Fund Balance Noncompliance**

**Comment:**

Public Act 621 of 1978, as amended, requires the adoption of a balanced budget for the General Fund and Special Revenue Funds, as well as budget amendments as needed to prevent actual expenditures from exceeding those provided for in the budget.

For the year ended September 30, 2006, there were three funds where expenditures exceeded appropriations. It was also noted there were three funds that had a deficit unreserved fund balance.

**Recommendation:**

We recommend expenditure accounts be closely monitored in order to determine the need to amend the budget to prevent budget violations and that a deficit elimination plan be developed and submitted to the Michigan Department of Treasury for funds in a deficit fund balance position.

**Management Response:**

All funds will be closely monitored to insure expenditures do not exceed appropriations in the various funds and will make budget amendments as needed. A deficit elimination plan will be submitted to the Department of Treasury.

**Dating of Purchase Orders**

**Comment:**

During our testing we noted several instances where the purchase order was dated subsequent to the invoice date.

**Recommendation:**

In order to strengthen internal controls over purchasing, purchase orders should be initiated before the goods are ordered, invoiced and/or received.

**Management Response:**

Management is in the process of drafting a new purchasing policy for County Board consideration and approval.

**COMMENTS AND RECOMMENDATIONS**

**September 30, 2006**

**Interest Earnings on Road Patrol Funds**

**Comment:**

Currently, interest earnings on the Road Patrol millage deposits are not being allocated to the Road Patrol Fund.

**Recommendation:**

Interest earnings on deposits which are generated from the Road Patrol millage, should be allocated to the Road Patrol Fund.

**Management Response:**

County administration will address interest allocation procedures for County funds.

**Delta-Menominee District Health Department - Late Payment of Payroll Taxes**

**Comment:**

We noted several payroll tax deposits which were filed late which resulted in over \$4,000 of penalties assessed by the IRS.

**Recommendation:**

All payroll tax withholdings should be made after each pay period in order to avoid IRS penalties.

**Management Response:**

Late deposits were due to an accounting department employee who was terminated from Public Health. The employee had stated they were completed when asked, but in fact were late.

**COMMENTS AND RECOMMENDATIONS**

September 30, 2006

**Delta-Menominee District Health Department - Bank Reconciliations**

**Comment:**

Bank reconciliations were not completed in a timely manner. We also noted that some of the activity for the credit card bank account had not been accounted for in the general ledger.

**Recommendation:**

In order to enhance internal controls over cash, all bank accounts should be reconciled within 45 days after the month end and all bank deposits should be accounted for in the general ledger.

**Management Response:**

Bank reconciliations were the function of an employee who was terminated, and with the lack of available time from other staff, the bank reconciliations could not be completed. Reconciliation of the credit card account was handled in the same manner as prior years, but we will change the process per auditor recommendation.

**Delta-Menominee District Health Department - Accounts Receivable Reconciliations**

**Comment:**

As of the audit date, various accounts receivable accounts had not been reconciled as of September 30, 2006.

**Recommendation:**

All balance sheet general ledger accounts should be reconciled on a monthly basis in order to enhance the internal controls of the Health Department.

**Management Response:**

Reconciliations have now been caught up, the delay was due to the terminated employee. These functions have been transferred to a different employee and will be up-to-date.